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State, be subject to the power of the State to fix a maximum price therefor.

New York City.

FREDERICK H. COOKE.

TRUSTS : ABUSES AND REMEDIES.

The general effect of monopolies has been to depress the price of the material they use and raise the cost to the consumers. Upon the whole, this modern trust has not been conducted in a manner satisfactory to the people. Some legal restraint must be put upon it, or the character of its incorporators greatly improved.

The issuing of licenses upon payment of a certain sum is one way by which the monopoly might be controlled. The taxation of street car lines, gas and water works companies by municipalities, is now quite the fashion. There is a large school of thinkers who advocate this scheme of taxation as an easy means of bringing in revenue. The idea seems to be a popular one and a number of cities already derive a considerable portion of their income from this source.

Nevertheless, it is a species of indirect taxation and very unequal in its bearings upon individuals. The revenue from franchises and percentages on gross receipts, had better be left in the pockets of the people who patronize the monopolies. The highways belong to the people of the city and to tax themselves for using their own highways is an absurdity. It would seem more statesmanlike to require the monopoly to serve the people at the lowest price that would bear a given dividend. If the special taxes were removed from car lines many of them could afford to reduce the fare from five to three cents which would effect a saving to the wage-earner of ten to twenty dollars per annum.

Another and more just manner of dealing with the trust would be to give it free scope but fix a maximum price for the articles it controls.

Corporations have liberty as individuals to pursue their own ends, but not to injure the public. An exorbitant charge for a monopolized article is as much an injury as a depredation on one's property or an assault upon one's person. Neither a corporation nor an individual, at common law, has the right to inflict public injury. The purchase of an article from a trust at an excessive price does not necessarily constitute a valid contract, either from a moral or legal point of view. A strict interpretation of the common law would require all contracts to be based upon equivalent values. The law does not recognize contracts where there is no "value received," and nothing but expediency can prevent it from questioning implied contracts where one party in trading returns only a partial equivalent of the value received.

When more is taken than given, the excess is equivalent to extortion. Such a transaction "violates morally" as much as gambling, and differs from it only in degree.

Monopolistic exactions may violate the principles of the common law in another aspect. Drunkenness, insanity, infancy, etc., are also grounds for invalidating contracts, showing that the law seeks to prevent taking advantage of one's extremity. Where there is effective competition a citizen has the liberty of protecting himself by seeking the lowest market, but a citizen confronting a monopoly, dealing in a necessary of life, is not free to buy or refuse. He has no option. His patronage is compulsory. The moral validity of any bargain may well be questioned where the agreement is not optional.

An excessive charge by a trust is, therefore, a distinct public injury and "opposed to public policy." Under this conception, the law may legitimately limit the price of a commodity controlled by a trust. As competition disappears this principle of the common law may be brought into better service.

A trust is not the machination of a knave nor is it a mushroom in the industrial world. It had its origin in a time when man was just emerging from a state of barbarism. It is the natural outcome of progress and its roots are deep in the ground. There is no use in railing against it for it has come to stay. It cannot be uprooted by statutes, nor destroyed by invective. In the savage state no partnerships existed because men were dishonest and distrustful. As morals improved, men gradually began to confide in one another; partnerships were formed, then large associations of men, on up to the corporation of to-day, with its hundreds of stockholders. The trust is an enlargement of this principle. It is a partnership of corporations. There can be nothing wrong in a trust *per se*. If two men may combine in a certain business, so also may three, and if three, why not ten, a hundred, a thousand or ten thousand? It violates no principle and is not necessarily hurtful in its operations. It may in the hands of corrupt men be a menace to society, as gunpowder or a pocket-knife may be in the hands of a fiendish individual. But properly conducted, a trust can be made to have the same effect upon industry as labor-saving machinery.

The main objection to trusts is that they are disposed to depress the prices of the things they buy and raise the prices of the things they sell. As to depressing the prices of the things they buy there is no mitigation of that offence. As to raising the price of the things they sell, there is, in many cases, entire justification. The intense competition in some industries has caused over-production and reduced prices below the line of profit. The prevalent practice of cutting each

other's throats was the strongest plea for co-operation. The restoration of prices to a reasonable extent does not provoke public censure. But a number of trusts seem to be actuated entirely by greed. Many gas companies and electric lighting companies make from twenty to fifty per cent profit. The Cordage Trust made \$1,406,313 for the year ending October 31, 1891, which was doubtless forty or fifty per cent on the capital. The Cotton Seed Oil Trust in one year cleared \$2,600,000, which was more than their capital warranted. The Lard Trust has been paying seven per cent on watered stock, the profits one year exceeding \$2,000,000.

Another great objection to trusts is that they often curtail production. Well, to a limited extent that is justifiable. Every farmer limits the area of land in this or that product in accordance with his estimate of the public demand and the prices governing the markets. It cannot be denied that some trusts have exceeded the bounds of necessity in their curtailment of production. The point to be emphasized is that in limiting the product the trust is no worse than most individuals or firms.

The "freezing out" of rivals is another great objection to the trust, yet an individual at present does the same thing with impunity. Nearly every man's success is made by overcoming others in the same business. Success is a process of elimination. The destruction of weak undertakings is a thing of daily and universal occurrence. However, but for public criticism many of the smaller enterprises might save themselves by joining the larger ones.

It is objected that those at the head of trusts may control legislation, and establish a commercial despotism. But the chances of their doing so will in future be even less than now. As consolidation continues, the number of superintendents will be diminished and the number of the employed increased. Therefore those whose interests are opposed to commercial despotism will hereafter outvote any antagonistic class. The employed class is already so large that capitalists are becoming rather suppliants than dictators. Their hey-day of power is past.

Merchants, manufacturers, shippers, brokers and every other variety of mankind, for the most part, are working just as hard as any trust to put down rivals. The number of men defeated in the race of life by concerns and individuals not connected with trusts is much larger than the number defeated by them. In the competitive system the methods of defeating rivals are just as unfair and just as merciless as those practiced by the trust. The trust generally invites its rivals to come in out of the cold, but such an invitation is seldom extended among competing individuals. Are not individuals just as prone to depress the prices of the things they buy and to raise the prices of the

things they sell as the trust? Are not farmers, by co-operative stores, seeking to depress the prices of the things they buy? Are not the merchants, mechanics, professional men and all seeking to do the same thing? Do any of them hesitate to buy cheaply or accept high prices for what they place upon the markets? A study of the statistics of New York reveals the fact that a number of farmers make from forty to fifty per cent profit on their capital. Small traders abound everywhere who make even higher percentages of profits. In fact the scale of profits rises as the amount of capital decreases.

While those connected with great corporations are no worse than mankind generally, they by no means measure up to the required standard as trustees of public interests. The enlarged powers of trusts carry with them new responsibilities. The widened horizon exposes to view many hardships and imperfections of our industrial life which before were unnoticed. The opportunity to do good and the public gaze fixed upon trust officials cannot long fail to inspire them with higher ideals. The scrutiny to which they are subjected is the severest test by which men can be tried.

Everything else improves and why may we not expect some advance in human nature? May not every corporation and every business enterprise be actuated by some of the motives which prompt endowments for public and private institutions? May not services to the public in supplying a good article at a low price come to be regarded as more genuine philanthropy than endowments inspired by the apparition of death? The gauntlet that trusts must run are the discipline out of which is to come the betterment of national character. Men who exceed the limits of justice in the use of their corporate powers will encounter thorns in public sentiment. When the judgment of the people is what it should be, the trust official who is a confederate in a plot to exact unreasonable prices, will stand in the community on a level with the convict and highwayman.

The power to be exacting by no means implies that such power will be used. All men have the power to commit crime, but it does not follow that they will make haste to get into the courts. Barring the legal penalties, the merchant or trust official is influenced by the same motives as those which restrain any other citizen from wrongful acts. Love of approbation is as potential with merchants and manufacturers as with any other class.

Ruskin says: "The soldier will die rather than leave his post; the physician, rather than flee from a plague; the pastor, rather than teach falsehood; the lawyer, rather than countenance injustice. On what occasion does the merchant die for his country? For the man who does not know when to die has not learned how to live." The poet answers

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thus : "It is, the soldier's duty to defend the country; the pastor's, to teach it; the physician's, to keep it in health; the lawyer's, to enforce justice in it; the merchant's, to provide for it. . . . The merchant rather than fail in any engagement or consent to any deterioration, adulteration or unjust and exorbitant price of that he provides, he is bound to meet fearlessly any form of distress, poverty or labor, which may, through maintenance of these points come upon him. . . . And as the captain of a ship is bound to be the last to leave his ship in case of wreck, and to share his last crust with his sailors in case of famine, so the manufacturer in any commercial crisis is bound to take the suffering of it with his men, and even to take more of it for himself than he allows his men to feel, as a father would in a famine, shipwreck or battle, sacrifice himself for his son."

The trust of the future will be considered richest that supports the greatest number of comfortable and happy homes ; the merchant prince will be one who exercises the widest helpful influence over the lives of others.

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THE RELATION OF ECONOMICS TO SOCIOLOGY.

The present is a period of transition for the social sciences. The social philosophy of the eighteenth century had such a hold on the thinking world of the first half of the present century that few systematic efforts have been made to displace it by a new philosophy more in harmony with present conditions. This old social philosophy was divided into two distinct parts—utilitarianism and political economy. The first, as its name shows, was a theory of utility, the second was in essence a theory of goods ; that is, a theory of material wealth and of the objective conditions which determine its production and increase.

I have shown elsewhere * that this division of social philosophy into utilitarianism and political economy is artificial and unsatisfactory, and that these two are really one science having two roots, one in the objective and the other in the subjective world. We have then a pure science of economics dealing with the elementary forces belonging to the theories of goods and utility, and a concrete science of political economy dealing with the phenomena of modern industrial societies. I use the term "political economy" in an old sense as the economy of men in a political society. Certain political regulations and social instincts are assumed as facts in political economy that do not belong

* "The Scope of Political Economy," *Yale Review*, Nov., 1893.